

# Introduction to Redevelopment in California



## California Community Redevelopment Law

- 1945 California Community Redevelopment Act
- 1951 Community Redevelopment Law codified at Health and Safety Code Section 33000 et seq.
  - Created an agency in every city and county
  - Separate from city/county government in a legal sense.
- 1993 AB 1290, Significant Revisions to Law



## Redevelopment Facts

- There are 408 community redevelopment agencies (380 are active, 342 belong to CRA)
- 80% of all cities have redevelopment agencies
- 45% of all counties have redevelopment agencies
- There are 775 redevelopment project areas
- Agencies receive over \$2.1 billion annually in property tax increment revenues
- Agencies spent \$412.2 million for Low/Mod housing in 2001



## Redevelopment Defined

- The planning, development, re-planning, redesign, clearance, reconstruction, or rehabilitation of all or part of a survey area.
- The provision of residential, commercial, industrial, public, or other structures or spaces appropriate or necessary to the general public.

Sections 33020-33022



## How is a Redevelopment Agency Formed?

- Local government enacts ordinance declaring need for agency
- Ordinance is filed with County Clerk and Secretary of State
- Appointment of 5 or 7 persons to Agency Board, or ordinance making legislative body the Board



Sections 33100-115, 33200

## General Powers of Agency

- Sue and be sued
- Make and execute contracts
- Hire staff and establish a personnel system (although most use existing city/county staff)
- Purchase or rent space, equipment and supplies
- Utilize services and facilities of host government
- Apply for housing and community development grants
- Manage real property

Sections 33125-33133, 33400



## What are typical activities of a Redevelopment Agency?

- Construct public infrastructure
- Prepare sites for development
- Buy and sell property (unique power to buy and sell property for redevelopment by private developers)
- Improve dilapidated facilities
- Mitigate environmental impacts
- Use tax increment financing
- Issue tax increment bonds



## What is a blighted area?

- Predominately urbanized
- One or more adverse physical conditions **and** one or more adverse economic conditions; **Or**, subdivided lots of irregular form and shape and inadequate size for proper usefulness in multiple ownerships
- Conditions are prevalent and substantial
- Private enterprise and/or government action won't solve problems without redevelopment
- A blighted area may also contain the conditions described above and be characterized by inadequate public improvements, parking facilities, or utilities.



Section 33030



## Physical conditions causing blight include:

- Buildings unsafe or unhealthy for occupancy
- Building code violations, dilapidation and deterioration
- Buildings and lots of inadequate size for current market, substandard design, or lack of parking
- Adjacent or nearby uses that are incompatible
- Subdivided lots of irregular form and shape and inadequate size to be useful

Section 33031(a)



## Economic conditions causing blight include:

- Depreciated or stagnant property values
- Properties containing hazardous wastes
- High business vacancies; low lease rates
- High business turnovers; excessive vacant lots
- Abandoned buildings
- Lack of common commercial facilities, e.g. groceries, drug stores, banks
- Excess bars, liquor stores, or adult businesses
- Residential overcrowding
- High crime rates



Section 33031(b)

## Definition of “Predominately Urbanized”

“Predominately urbanized” means not less than 80 percent of the land is in a project area:

- Has been or is developed for urban uses; or
- Consists of subdivided lots of irregular form and shape and inadequate size in multiple ownership; or
- Is an integral part of one or more areas developed for urban uses or substantially surrounded by parcels developed for urban uses.



Section 33320.1(b)

# Ten Basic Steps in the Plan Adoption/Amendment Process

1. The legislative body adopts a survey area encompassing portions of the community which might benefit from redevelopment.
2. After the survey area is adopted, the Planning Commission selects a redevelopment project area that is coterminous with or smaller than the survey area.
3. The Planning Commission also adopts a Preliminary Plan which outlines the basic goals and objectives of the proposed redevelopment project and contains a description of the project area. (A project area can be reduced in size prior to adoption of the Redevelopment Plan, but it cannot be enlarged without amending the preliminary plan and, if necessary, the survey area.)



## Ten Basic Steps in the Plan Adoption/Amendment Process (cont.)

4. The Preliminary Plan is then accepted by the Agency Board and transmitted to all taxing entities which receive property taxes from the project area.
5. After the Preliminary Plan is adopted, the Agency begins to prepare a series of technical documents required by State law, such as the Preliminary Report and environmental documentation.
6. The Agency develops a Draft Redevelopment Plan.
7. The Agency then circulates the Preliminary Report, Draft Redevelopment Plan and Draft EIR.



## Ten Basic Steps in the Plan Adoption/Amendment Process (cont.)

8. The Agency consults with affected taxing entities and the community. The Agency prepares the Final EIR, Report to the Legislative Body, and Final Proposed Redevelopment Plan.
9. The legislative body/Agency call for a public hearing on the Proposed Redevelopment Plan.
10. The EIR is certified and the Redevelopment Plan is adopted (or amended).

Process typically takes 12 months; longer is not uncommon.



# Redevelopment Plan

The Redevelopment Plan addresses a legally prescribed set of topics, including the following:

- Project area boundary description
- Redevelopment goals and objectives
- Development techniques to achieve plan objectives
- Permitted land use and land use controls applicable to the project area
- Methods for financing the redevelopment program
- Supporting actions by the community
- Enforcement mechanisms
- Plan duration
- Use of eminent domain
- Procedures for plan amendment



# Owner Participation Agreement (OPA)

- Plan must provide for owner participation
- OPA provides that if property is developed in accordance with redevelopment plan, Agency can not acquire the property by condemnation.

Sections 33339, 33339.5, 33380, 33394





# Agency Report to City Council

Prepared and submitted prior to Plan Adoption

Must address 13 points including:

- Blight documentation
- Implementation Plan
- Relocation Plan
- Recommendations of Planning Commission
- Environmental Impact Report
- Fiscal Analysis
- Summary of Consultations
- Neighborhood Impact Report



Section 33352

## What is tax increment?

- Redevelopment provides a unique financing method, called “tax increment financing”.
- When a legislative body adopts a Redevelopment Plan, the total assessed value of property within the project area is established (called the “frozen base” or “base year” assessed value).
- For up to 45 years, most of the property tax revenues generated from increases in the assessed value above the base year can be allocated to the Redevelopment Agency.
- These increased revenues are called tax increment.



## AB 1290 – Statutory pass-throughs of taxes

For Plans adopted/amended on or after January 1, 1994:

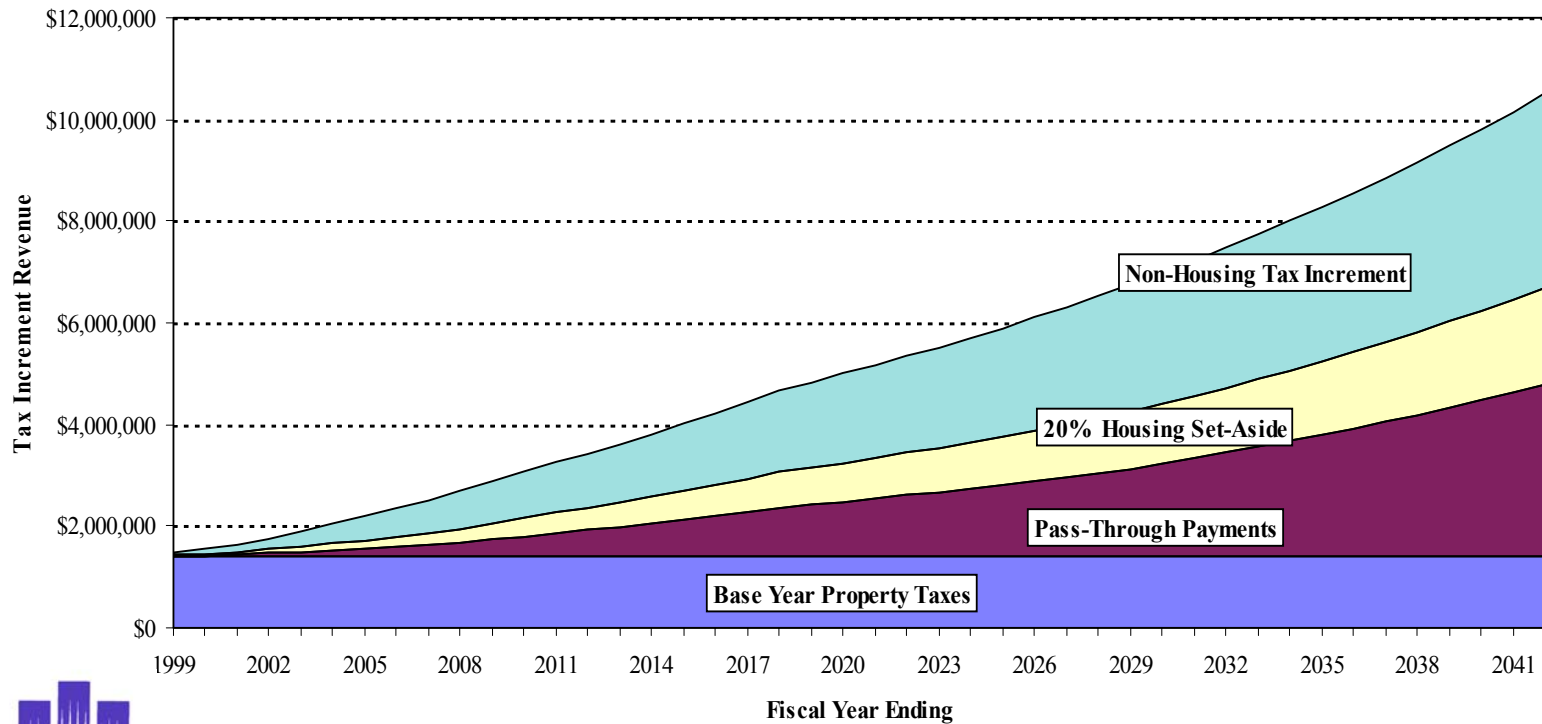
- Other taxing entities receive 25% of tax increment revenue remaining after deposit to housing set-aside fund. (which is 20%)
- Allocated in proportion to the tax revenue each entity receives from the project area.
- Host jurisdiction in which the project area is located may elect to receive allocation.
- In year 11, taxing entities (excluding host jurisdiction) also share 21% of TI exceeding the increment generated in year 10.
- In year 31, taxing entities (excluding host) share an additional 14% of TI exceeding the increment generated in year 30.

Section 33607.5



# Tax Increment Chart

Property Tax Distribution



## Other Sources of Funds for Agencies

- State, federal and local grants and loans.
- Appropriations from local government.
- Loans from private lenders.
- Transient occupancy tax.
- Sales tax (prior to 1994)



## Limitations

- No direct assistance to auto dealers on non-urbanized land.
- No direct assistance to retail projects on non-urbanized parcels over 5 acres in size (e.g. big box retailers) unless the principal permitted use of the development is office, hotel, manufacturing or industrial.
- No assistance to gambling or gaming facilities.
- Tax-sharing between jurisdictions required when assistance provided to relocate big-box retailers and auto dealers within same market area.

Sections 33426.5, 33426.7



## Property Assembly (Eminent Domain)

- Agency may use voluntary acquisition or eminent domain (condemnation) if a Redevelopment Plan authorizes this power.
- Agency may choose not to exercise or limit its powers. (prohibitions or limits are frequently in plans.)
- Eminent Domain Law carefully prescribes methods of exercising power.
- Agency must pay fair market value for property condemned.
- Agency must form a Project Area Committee (PAC) if it chooses to authorize eminent domain over properties occupied by low and moderate income households.
- Agency has power of eminent domain for 12 years after plan adoption unless it amends plan to extend powers of eminent domain.

Sections 33333.2(a)(4), 33333.4(a)(3), 33385(a), 33385.3



## Project Area Committee (PAC)

- PAC must be formed if Agency wishes to use its power of eminent domain over properties that are occupied by low- and moderate-income households.
- Members of PAC are elected.
- PAC recommends policies related to the planning and provision of residential facilities or replacement housing for those to be potentially displaced by project activities.
- PAC reviews the proposed redevelopment plan and recommends for or against its approval.
- If the PAC recommends against adoption of the Redevelopment Plan, the City Council may only adopt the plan by a two-thirds vote.
- PAC can be formed if eminent domain is not an issue.



Section 33385



## Time for Plan Activities

For Plans adopted on or after January 1, 1994

- Plan activities must cease 30 years after adoption of the redevelopment plan. (This time limit cannot be extended.)

Section 33333.2(a)(2)



## Time for Plan Activities

For Plans adopted prior to January 1, 1994:

- Plan activities must cease 40 years after adoption of the plan or January 1, 2009, whichever is later.
- Can be extended an additional 10 years if blight remains. Low- and moderate-income housing set-aside increases from 20% to 30%.

Sections 33333.6(a), 33333.10



## Time to Incur Debt

For Plans adopted on or after January 1, 1994:

- Agency indebtedness to be repaid with tax increment must be incurred within 20 years from the adoption of the plan. This date may be extended to 30 years by plan amendment if blight remains.

Section 33333.2(a)(1)(A) & (1)(B)

Plans adopted before January 1, 1994 were to have a similar limitation but new law (SB 211) allows the elimination of that time limit.

Section 33333.6(e)(2)



## Receipt of Tax Increment & Repayment of Indebtedness

For Plans adopted on or after January 1, 1994:

- An agency cannot receive tax increment or pay debt after 45 years from the date of the adoption of the plan. (This time limit cannot be extended.)

Section 33333.2(a)(3)

For Plans adopted prior to January 1, 1994:

- An agency cannot receive tax increment beyond 10 years from the termination of the plan. (There are two exceptions.)

Section 33333.6(b)



## Project Area Termination

- **Cannot terminate a project area if:**
  - Excess surplus exists in Housing Fund
  - Agency has outstanding housing obligations with regard to:
    - Replacement housing
    - Inclusionary housing
    - Providing 20% of TI for low- and moderate-income housing
    - Relocation of displaced persons



Section 33333.8

## 20 Percent Housing Set-Aside

- Redevelopment Agency must use 20% of tax increment revenue “for the purposes of increasing, improving, and preserving the community’s supply of low- and moderate-income housing available at affordable housing cost...”



Section 33334.2, 33334.6

# Inclusionary Housing Requirements

## In Project Area adopted after 1975:

- Agency-Developed Housing (rare)
  - At ***least 30%*** of all ***new*** or ***rehabilitated*** units must be available at ***affordable housing cost*** to, and occupied by, persons or families of ***low or moderate income***.
  - At ***least 50%*** of these units (or ***15%*** of total agency-developed units in a project area) must be affordable to, and occupied by, ***very low income households***.



Section 33413(b)

# Inclusionary Housing Requirements

## In Project Area adopted after 1975:

- Housing Developed by Others (common)
  - At ***least 15%*** of all ***new*** or ***rehabilitated*** units developed within a project area by public or private entities other than the agency must be available at ***affordable housing cost*** to, and occupied by, persons or families of ***low or moderate income***.
  - At ***least 40%*** of these units (or ***6%*** total non-agency-produced units in a project area) must be affordable to, and occupied by, ***very low income households***.



Section 33413(b)(2)(A)(i)



**By way of example...**

## **Inclusionary Housing Requirements**

- Redevelopment Agency builds 100 housing units.
- 30 must be affordable to low- and moderate-income households.
- 15 of those must be affordable to, and occupied by, very low income households.



**By contrast...**

## **Inclusionary Housing Requirements**

- Private Developer builds 100 housing units, some with agency assistance.
- 15 must be affordable to low- and moderate-income households.
- 6 of these must be affordable to very low income households.



## What's the difference between “low and moderate” and “very low” income?

- **Defined by California law to track HUD limits**
- **Very Low Income Households**
  - Up to 50% of area median income (Section 50105).
- **Lower Income**
  - Up to 80% of area median income (Section 50079.5).
- **Low and Moderate Income**
  - Up to 120% of area median income (Section 50093).



## Replacement Housing Requirements

**For project areas adopted, or areas added by amendment, after 1975:**

- When residential units housing persons or families of low and moderate income are destroyed or removed through agency action, the agency must replace with an equal number of units with an equal number of bedrooms.
- Must be replaced within 4 years.



Section 33413(a)

## Replacement Housing Requirements, cont.

**For dwelling units removed after September 1, 1989:**

- 75% of replacement units must be available at affordable housing cost in the same income level of very low income households, lower income households, and persons and families of low and moderate income, as the persons displaced.



Section 33413(a)

## Replacement Housing Requirements, cont.

**For dwelling units removed after January 1, 2002:**

- 100% of replacement units must be available at affordable cost to, and occupied by, persons in the same, or lower, income level of very low, low, or moderate, as the persons displaced.



Section 33413(a)

## Replacement Housing Requirements, cont.

**For project areas adopted, or areas added by amendment, before 1976:**

- Same replacement requirements apply for dwelling units removed after January 1, 1996.



Section 33413(d)(1)